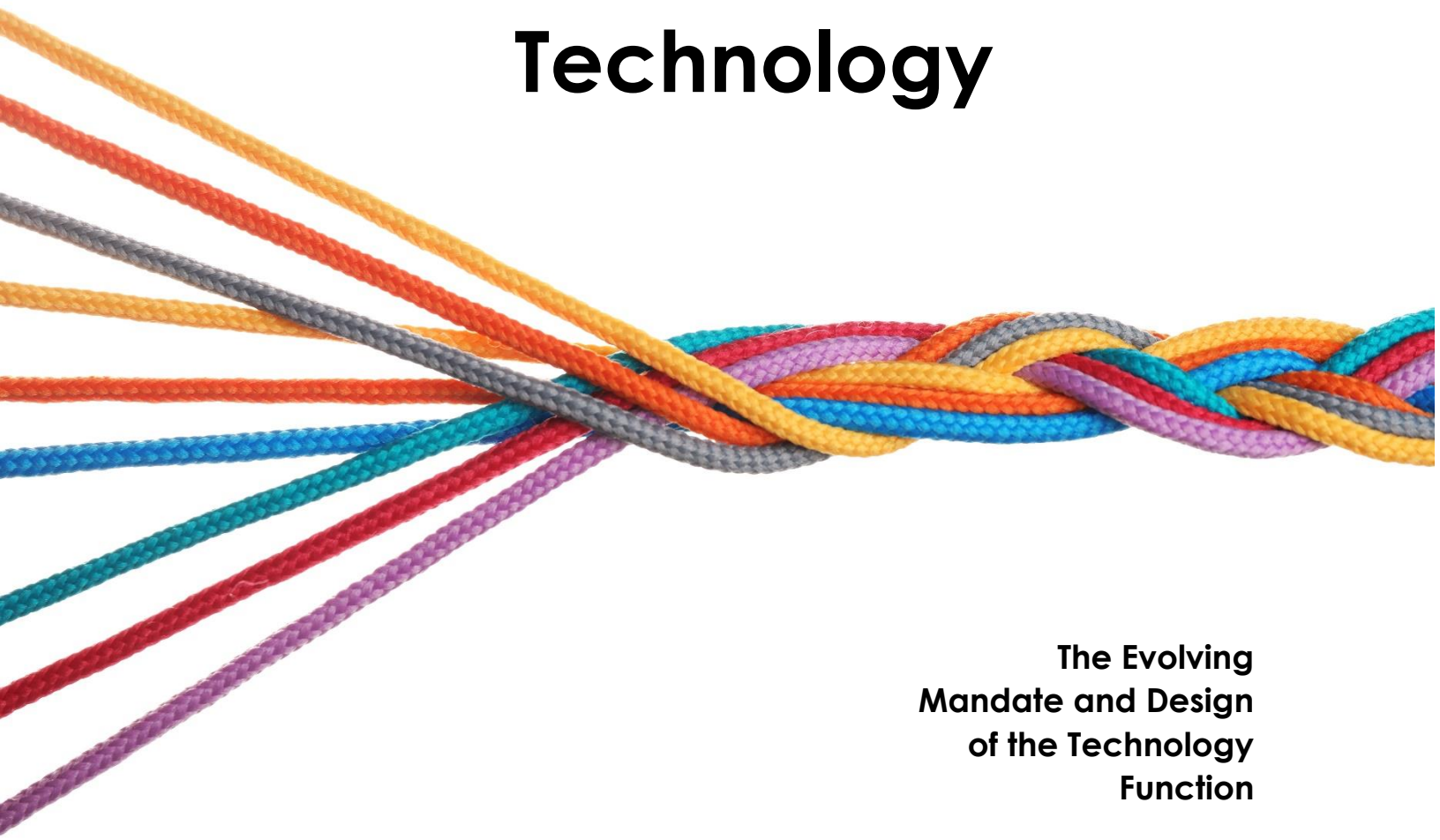


Empowering Investment Managers through Technology



**The Evolving
Mandate and Design
of the Technology
Function**



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Authors
Hussain Bokhari
Joy Savage
Furqan Anis

The authors would like to thank our clients and colleagues for the many thought-provoking conversations on the topic of technology operating models; we appreciate and applaud your efforts to optimize this critical pension capability in the pension industry.



The technology operating model for investment managers should reflect the organization's technology ambitions.

Why Technology Operating Model Matters

The technology operating model – the choices and capabilities that define how technology interacts with other functional areas – should reflect the organization’s technology ambitions. Is technology about devices, platforms, and security? Or does it power insight and inference for strategic advantage? What areas of technology will receive what disproportionate advantage for what expected return?

The Technology function within Investment Managers can and should operate as more than just a supporting element; at Fuse, we believe Technology can serve as a differentiator and growth catalyst for the organization, in addition to responding to the varied technology demands of each asset class and corporate function.

This paper explores the complexities of the Technology function in Investment Management organizations and its evolving role, current challenges, and future direction.

We also provide recommendations for optimizing the Technology Operating Model to better align with the unique needs of this sector.

The Evolving Mandate of Technology in Investment Management

Historically, the mandate of the Technology department in Investment Management was primarily that of an order taker. Their key responsibilities lay in delivering core technology offerings such as ensuring system stability, providing hardware and software support, and maintaining data security. The Technology department was viewed as a functional necessity rather than a strategic enabler.

However, this legacy view is undergoing a significant shift. As technology becomes increasingly integral to business strategies and operations, the Technology department is transitioning from being an order taker to a trusted strategic advisor.

In this evolved role, the function not only supports core services but also enhances the organization's capacity to achieve its objectives and ensure strict adherence to governance standards. This involves delivering the seamless operation of mission-critical systems like trade execution, risk analytics, and regulatory compliance, which create an efficient and secure environment that paves the way for competitive advantage.

In the rapidly evolving technological landscape, the role of the Technology department is expanding even further. Today, investment managers look to their Technology teams not just for support but also for guidance in a future promising operational efficiency and innovation. The Technology department's mandate now includes empowering business users, simplifying complex processes, and fostering an environment that supports continuous innovation.

This transformation underscores the recognition that innovation is no longer the sole preserve of the Technology department but a collaborative effort where 'Citizen IT' can make significant contributions.

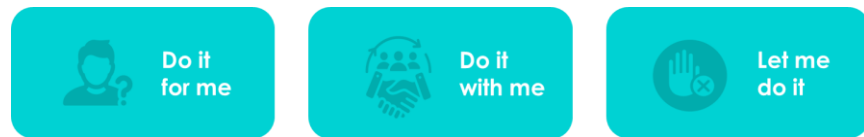


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Understanding Stakeholder Archetypes

Business stakeholders within Investment Managers possess distinct needs and technological capabilities, contingent upon their respective functions. This diversity forms the foundation for three primary stakeholder archetypes we observe in market – we call them, *Do it for me*, *Do it with me*, and *Let me do it*.

Figure 1: Investment Management Technology Stakeholder Archetypes



Source: Fuse Research

These archetypes reflect the stakeholders' preferred approach to technology solutions, shaping the Technology department's response to their needs.

- ***Do it for me* Stakeholders:** These stakeholders prefer a comprehensive technology solution handled entirely by the IT department. They might be individuals or teams with little technical expertise, high workloads, or complex responsibilities that demand dedicated Technology support. This group relies heavily on IT for system design, implementation, and maintenance. In this scenario, the Technology department is tasked with providing end-to-end solutions that are reliable, secure, and fit for purpose.
- ***Do it with me* Stakeholders:** This group of stakeholders seeks collaboration with the Technology department. They are often those who possess a reasonable understanding of technology but lack the advanced skills or resources for independent implementation. *Do it with me* stakeholders value a partnership approach, working side-by-side with the Technology department to identify, develop, and maintain suitable technology solutions. For Technology departments, this means facilitating co-creation processes, where they can lend their expertise to develop solutions in unison with business users.

- ***Let me do it Stakeholders'***: These stakeholders are typically tech-savvy individuals or teams who prefer autonomy in handling their technology needs, enabled or empowered by the Technology department. They seek the tools and resources to design, implement, and manage their own technology solutions, with the Technology department serving as a facilitator and advisor. For the Technology department, serving this group means providing the necessary tools, platforms, and training, while ensuring that these efforts align with overall IT governance and standards.

Technology departments must embrace flexibility to cater to the diversity of stakeholder needs in investment management. It goes beyond merely customizing solutions. This flexibility manifests in offering specific services and levels of support that align with the requirements of each stakeholder archetype. This approach ensures the delivery of tailored services while upholding the consistency of technology operations across the organization. Recognizing and catering to these stakeholder archetypes is crucial for the Technology department to effectively deliver technology services and empower the organization.

What Business Stakeholders want from Technology

Despite the diversity of business archetypes – from those seeking complete IT solutions to those craving technological autonomy – common aspirations emerge. These universal themes form the crux of what business stakeholders expect from their Technology departments.

Addressing these expectations is essential for IT leaders to enhance the effectiveness of their teams and to align with business needs effectively.

- **Single Point of Responsibility:** The complexity of IT can be overwhelming for stakeholders across the spectrum. A unanimous aspiration is for a dedicated point of responsibility who understands their needs and guides them efficiently and effectively through the IT landscape. This role not only simplifies their engagement with IT but also enhances service delivery.
- **Improved Portfolio Management:** Stakeholders, irrespective of their engagement level with technology, seek strategic guidance from IT. They want to engage from their perspective, across the diverse portfolio of their tactical and strategic IT interactions, prioritizing initiatives and ensuring the delivery of maximum business value. This centralized management approach offers them the clarity and direction necessary to navigate the often-complex landscape of IT projects and investments.
- **Balancing Skillset and Mindset:** Stakeholders across the board appreciate IT personnel with not only the right technical skills and domain knowledge but also a problem-solving mindset. Such capabilities are vital for engaging effectively with diverse stakeholder groups, understanding their unique needs, and delivering tailored solutions. This blend of skill and attitude drives collaboration and innovation, making IT a strategic partner rather than just a service provider.
- **Dedicated Capacity:** Stakeholders express a strong preference for having dedicated IT resources, either embedded within their teams or solely assigned to their business needs. This not only facilitates swift, direct communication but also fosters a deeper understanding of business-specific requirements. Furthermore, in the fast-paced investment management environment, stakeholders underline the need for increased capacity within IT, especially for personnel who can respond rapidly to business needs and deliver solutions within tight timelines.

This combined approach serves to increase IT's alignment with business demands and enhances its ability to effectively deliver on its mandate.

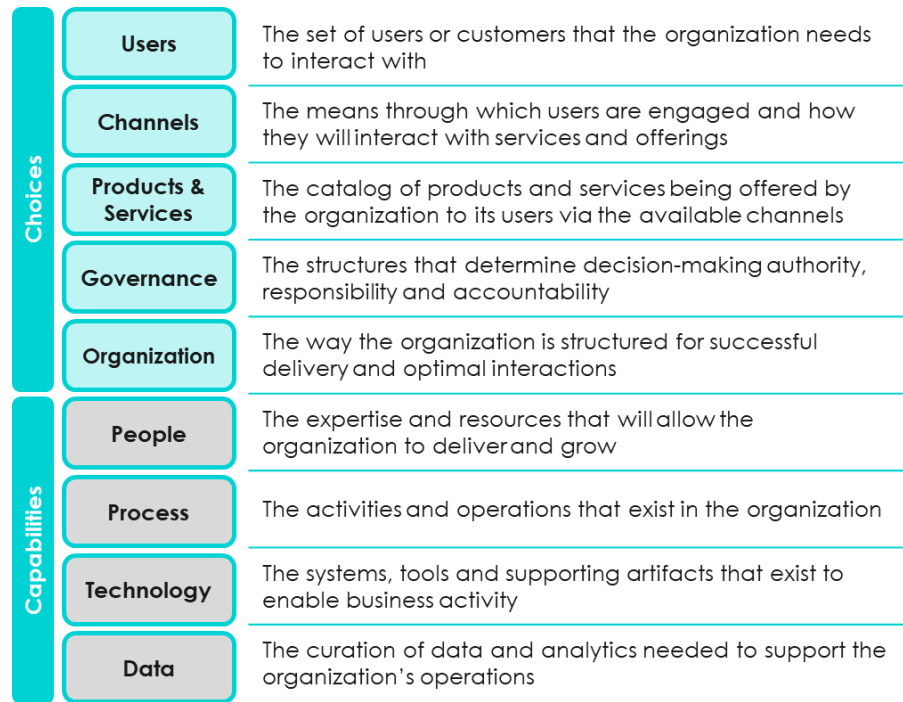
- **Clarity of IT Roles and Accountabilities:** Greater transparency around the roles and responsibilities within IT is an expectation that is consistently echoed across all investment management stakeholder groups. This is not merely about understanding who does what; it's about comprehending the structure, operations, and capabilities of the Technology department to facilitate effective communication and engagement. By clearly defining and communicating their roles and accountabilities, Technology can eliminate ambiguities, streamline its interactions with business stakeholders, and encourage efficient utilization of its services. Moreover, this understanding also enables stakeholders to more effectively manage and prioritize their IT needs – helping the business help Technology. Ultimately, clarity in roles and responsibilities not only fosters a productive relationship between Technology and the rest of the business but also enables Technology to act as a strategic partner, more closely aligned with the organization's broader objectives.

Understanding and addressing these common aspirations from the diverse stakeholder archetypes, Technology leaders can drive the strategic alignment of their Technology functions, thereby fulfilling the firm's objectives more efficiently.

Designing the Technology Operating Model

At Fuse, we see the Technology Operating Model as a structured framework of choices, required to define the model, and capabilities, required to operationalize the model.

Figure 1: Investment Management Technology Stakeholder Archetypes



Source: Fuse Research

When shaping the Technology Operating Model for their organizations, leaders face several crucial decisions across users, channels, products & services, governance, and organization. These choices serve as the foundational pillars for the model and consequently, the organization's technological future.

Here, we delve into these considerations, discussing their importance and the critical decisions leaders need to make:

1) Understand Business Users

The first step in developing an effective Technology Operating Model is to understand the landscape of users within the organization, segmenting them into the different archetypes. Specifically, it is crucial to identify where 'Citizen IT' users exist – these are employees who, while not a part of the formal IT structure, harness technology to innovate and improve business processes. Recognizing these users is crucial as it helps leaders ensure that the Technology Operating Model is inclusive, catering to the diverse technological needs and capabilities within the organization. Leaders must determine how best to empower 'Citizen IT', without compromising the control and security provided by formal IT structures.

2) Streamline Engagement Channels

A well-defined and socialized engagement model is pivotal for the optimal functioning of a Technology Operating Model. This typically includes unassisted channels, assisted channels, and a dedicated Relationship Management (RM) for business stakeholders. The offerings enabled through each channel need to reflect the requirements and capabilities of the user base. Leaders must consider a balanced blend of these channels, factoring in user capabilities, the complexity of IT services, capacity, business priorities, and the overall strategic direction of the organization.

- A. **Unassisted Channels:** These are self-service platforms or tools that allow users to resolve simple, common issues on their own, such as resetting passwords or accessing basic troubleshooting guides. This approach can dramatically reduce the load on Technology support, freeing them to focus on more complex issues. However, the organization needs to judiciously select which services to offer in this channel, ensuring that users can efficiently self-serve without the risk of exacerbating issues.
- B. **Assisted Channels:** These channels include traditional help desks and tech support lines, where IT professionals assist users with more complex issues that cannot be resolved independently. Assisted channels also serve as a critical conduit for user feedback, providing valuable insights for continuous improvement.

- C. **Dedicated Channels:** Dedicated channels are typically fulfilled by a relationship manager (RM) responsible for understanding business objectives of their stakeholders, serving as the primary owner of that relationship for IT. They are responsible for facilitating overall coordination with stakeholders and acts as the conduit for high-impact, strategic IT services and initiatives. Given the strategic nature of this role, the RM channel should be reserved for high-impact, strategic IT services and initiatives.

3) Clarify Technology Offerings

A clearly documented and comprehensive catalogue of Technology products and services (P&S catalogue) facilitates transparency, enabling users to understand what the Technology department can offer them. This catalogue is a crucial asset, offering much more than a simple inventory of Technology department's offerings, as it allows users to understand the breadth and depth of Technology's capabilities, directs them to the appropriate channel, and provides visibility into the accountability associated with each product or service. As technology is democratized across these organizations, it is important to ensure that a P&S catalogue clearly articulates where the accountability for technology and services lies in other parts of the organization.

4) Governance and Standards

Robust governance is central to an effective Technology Operating Model. It plays a crucial role in promoting accountability, ensuring compliance, and aligning operations with the organization's overall strategic goals. Leaders are faced with the challenge of establishing a governance structure that strikes a balance between control and flexibility, encouraging innovation while concurrently mitigating risk.

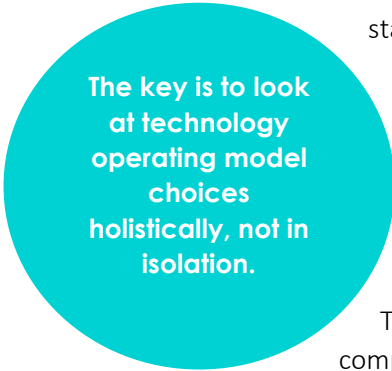
- A. **Policies and Guidelines:** A cornerstone of robust governance is clear, well-communicated, and consistently applied policies and guidelines. These form the basis for expectations, guiding behavior for all technology users, including those within the formal Technology structure, as well as among 'Citizen IT' individuals. In this democratized

model, traditional IT policies need to be adapted to ensure that they cater to a wider user base without compromising on control and security. The organization needs to be proactive and collaborative in creating these policies, ensuring coherence, usability, and alignment with industry standards.

- B. **Role Clarity:** Clear delineation of roles and responsibilities is critical to enable the Technology Operating model – a clear articulation of responsibilities boosts operational efficiency and reduces the risk of miscommunication and redundancy. It is particularly crucial for internal coordination within Technology teams and for effective collaboration with technology resources dispersed across the organization. Clarity of responsibilities at a P&S catalogue level provides invaluable transparency to business stakeholders, allowing for improved planning and collaboration.

5) Skills, Capability and Capacity

The effectiveness of a Technology Operating Model is heavily reliant on the structure, resources, and strategic alignment of the IT organization. A well-curated mix of internal and external resources, defined by the right blend of technical skills, investment management domain knowledge, and interpersonal capabilities, is integral to delivering value to business users and fostering efficient IT operations. Efficient capacity and workload management are crucial to align resources with strategic priorities, ensuring that high-impact projects are well-resourced, and timelines are met. This requires a diligent focus on portfolio and demand management. It's not just about having the right number of resources but also about having the right people, with the right skills, working on the right projects. In terms of sourcing key capabilities, leaders need to make informed decisions about insourcing versus outsourcing. This involves a clear-eyed evaluation of the organization's core competencies and areas where external expertise might bring greater value.



As organizations continue to evolve and adapt to an ever-changing business landscape, the decisions concerning the Technology Operating Model must also remain dynamic and flexible. These choices should not be seen as static, one-time decisions, but rather as living elements of the model that need to be revisited, revised, and fine-tuned as business needs, technology advances, market conditions, and user expectations evolve. The ideal Technology Operating Model is, therefore, not a fixed entity, but a dynamic, adaptable framework that supports the organization's strategic objectives and drives continuous improvement.

The key is to look at the choices holistically, not in isolation. Each component of the model – from the way users are defined, to engagement channels, Technology offerings, governance, and organizational structure – is interlinked, influencing, and shaped by the others. In this regard, achieving an optimal Technology Operating Model is not just about making the right individual choices, but also about aligning these choices towards a common, well-defined objective.

Embracing this perspective will ensure that technology moves beyond being a mere support function to become a strategic enabler, driving the organization towards a future of innovation, efficiency, and continued impact.

Would you like to learn more about this perspective, or how we can help you apply it? Do you have questions, comments, or ideas to share? Please contact:

Hussain Bokhari
Partner, Fuse
hussain.bokhari@fusestrategy.co
647.533.5939

Joy Savage
Partner, Fuse
joy.savage@fusestrategy.co
416.527.0956

Furqan Anis
Principal, Fuse
furqan.anis@fusestrategy.co
437.776.3535



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